

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 DLOS-09
DODE-00 DOTE-00 FMC-01 CG-00 OES-07 SS-15 /095 R

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APPROVED BY EB/OT/STA:J S SPIRO
TREASURY:R SELF
EUR/CAN:G MONROE (SUBS)
D-J SPIEGEL (SUBS)

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FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA PRIORITY

C O N F I D E N T I A L STATE 135553

E.O. 11652: GDS

TAGS: ETRD, CA

SUBJECT: CANADIAN PROPOSAL ON GOC GROUND FISH SUBSIDIES

REF: STATE 113586

1. ON MAY 26, LARRY SMITH, MINISTER COUNSELOR FOR ECONOMIC AFFAIRS OF THE CANADIAN EMBASSY, ACCOMPANIED BY CANADIAN EMBASSY COMMERCIAL MINISTER ANTHONY HALLIDAY AND MICHAEL JOYCE, MET WITH TREASURY GENERAL COUNSEL ROBERT MUNDHEIM AND RICHARD SELF, DIRECTOR, OFFICE OF TARIFF AFFAIRS. STATE OFFICERS WERE ALSO PRESENT. THE PURPOSE OF THE MEETING WAS TO DESCRIBE CHANGES IN GOC'S GROUND FISH TEMPORARY ASSISTANCE PROGRAM (GTAP) BEING CONTEMPLATED IN OTTAWA AND TO DETERMINE IF SUCH CHANGES WOULD PROVIDE A SUFFICIENT BASIS FOR TREASURY TO GRANT A WAIVER OF COUNTER-CONFIDENTIAL

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VAILING DUTIES IF THE FINAL TREASURY DECISION, DUE JUNE 10, CONFIRMS ITS EARLIER FINDING OF BOUNTIES OR GRANTS.

2. SMITH BEGAN BY EXPLAINING THE POLITICAL SENSITIVITIES OF THIS ISSUE IN CANADA. HE ASKED WHAT TREASURY'S CURRENT THINKING WAS ON THE VARIOUS CANADIAN PROGRAMS. MR. SELF REPLIED THAT THERE HAS BEEN NO CHANGE SINCE THE PREVIOUS

MEETING (REPORTED IN REFTEL). SELF SAID THE MAJOR PROBLEM WAS THE GTAP. OTHER PROGRAMS WERE EITHER VERY

SMALL IN TERMS OF AD VALOREM IMPACT (FISHING VESSEL SUBSIDY) OR PERHAPS COULD EVEN BE CONSIDERED AS NOT BEING BOUNTIES OR GRANTS (I.E., DREE GRANTS FOR NEWFOUNDLAND FISHING INDUSTRY).

3. HALLIDAY SAID THE CANADIAN GOVERNMENT WAS CONTEMPLATING TERMINATING THE GTAP FOR "OFFSHORE" FISH (I.E., THOSE CAUGHT BY LARGE FISHING VESSELS OVER A CERTAIN UNSPECIFIED SIZE) RETROACTIVE TO APRIL 1, 1978. IT ALSO CONTEMPLATED TERMINATING THE GTAP FOR "ONSHORE" FISH (I.E., THOSE CAUGHT BY FISHING VESSELS UNDER A CERTAIN UNSPECIFIED SIZE) ON JANUARY 1, 1979. UPON QUESTIONING HALLIDAY SURMISED THAT THE REASON FOR THE DISTINCTION WAS THAT THE OWNERS OF THE LARGER VESSELS NEEDED THE SUBSIDIES LESS THAN THE OWNERS OF THE SMALLER VESSELS. THE BREAK-DOWN BETWEEN THE TOTAL CATCH OF THE TWO CATEGORIES OF VESSELS WAS NOT KNOWN EXACTLY BUT HALLIDAY ESTIMATED IT AT 60-40 IN FAVOR OF THE LARGER BOATS.

4. MR. MUNDHEIM ASKED IF THE GOC COULDN'T REMOVE THE GTAP FASTER. HALLIDAY RESPONDED THAT THEY WERE GETTING RID OF AT LEAST HALF THE PROGRAM RETROACTIVE TO APRIL 1 AND THE ENTIRE PROGRAM BY THE END OF THE YEAR. SMITH
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FOLLOWED UP THAT THIS WAS NOT NECESSARILY THE FINAL OFFER. MUNDHEIM SAID THAT THE CANADIAN PROPOSAL WAS A STEP IN THE RIGHT DIRECTION BUT THAT TREASURY WOULD HAVE TO ANALYZE IT FURTHER. HE RECALLED THE PRESSURE TREASURY WAS UNDER BY CONGRESSIONAL AND DOMESTIC INTERESTS NOT TO GRANT WAIVERS AND THAT RECENT EXPERIENCE WITH THE USE OF THE WAIVER, NO MATTER HOW SIGNIFICANT THE SUBSIDY REDUCTION, HAD LED TO A GENERAL CRITICISM BY THE CONGRESS OF THE ADMINISTRATION OF OUR COUNTERVAILING DUTY LAW.

5. SMITH SAID THE CANADIAN GOVERNMENT HOPED TO ANNOUNCE ITS REDUCED PROGRAM ON FRIDAY, JUNE 2. HE SAID IT WOULD BE NECESSARY TO HAVE A U.S. REACTION BEFORE THE PLANNED ANNOUNCEMENT DATE IN ORDER TO CONSIDER ADJUSTMENTS TO THE CURRENT PROPOSAL. MUNDHEIM REPLIED THAT HE WOULD TRY TO HAVE AN ANSWER FOR THE EMBASSY BY WEDNESDAY AFTERNOON, MAY 31. VANCE

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